

NextGear Capital's high ambitions for the UK market

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NextGear Capital UK is already making significant inroads amongst British motor dealers and auction companies with its stock floor planning scheme, the Vehicle Stocking Plan.

From a standing start in May 2014 it has signed up The Fleet Auction Group and Shoreham Vehicle Auctions, along with several other independent auction houses. This follows on from the successful enrolment of all 19 Manheim's UK auction sites, the last of which went live in early July.

NextGear Capital's parent is headquartered in Indiana, US, and is part of the Cox Automotive group of companies, which includes Manheim, AutoTrader, Kelly Blue Book and vAuto.

David Mercer, the company's UK's managing director told Asset Finance International that the company's US operation, which has been established for several years, currently deals with around 50% of the US independent car dealer sector – a target that he is aiming to reach in the UK over the next three years.



David Mercer, UK Managing Director,
NextGear Capital

“At present,” he said, “we have approved over 100 dealer accounts, which are now fully operational, and we also have a strong pipeline of applications.”

The Vehicle Stocking Plan is a stand-alone stock finance product. For auction companies it enables a quick and easy paper-free process which means that auction transactions are able to be completed faster.

For approved motor dealers, it empowers them to buy stock (both used cars and light commercial vehicles) on behalf of NextGear Capital (which retains title of the vehicles).

Mercer, who joined the company after nine years working for Manheim where he most recently held the roles of group business services director and commercial director continental Europe, explained: “Dealers seeking stock finance need to have been established for a minimum of one year and possess a physical site – we don't do business with solely online traders.

“One advantage for dealers is that they are able to raise their stock quality and trade upwards. That is the experience of our US operation where the motto is ‘stock more – sell more’.”

Innovative Trade Source facility

NextGear Capital buyers can also use the Trade Source facility which allows dealers to load vehicles purchased from trade sources or taken in part exchange onto its stocking plan.

Vehicles can also be sourced from fleet leasing and retail auto finance companies and indeed from large dealer groups.

Mercer said: "Existing forecourt stock can be also be transferred to the stocking plan and as part of the loading process, the NextGear Capital team values a used vehicle against CAP and puts it through an HPI check.

"In three working days the dealer receives a credit in their bank account. The credit paid for light commercials and qualifying vehicles will be inclusive of VAT. The title of the vehicle immediately transfers to NextGear Capital and the dealer simply pays a stocking fee until it is sold."

The extreme flexibility of the plan means that dealers can load vehicles from a number of sources including part exchange, trade, fleet or lease companies, existing stock – or even auction purchases where the auction house is not yet a NextGear Capital partner.

This allows dealers to proactively manage their entire used vehicle inventory through a single NextGear Capital stocking plan. The plan is accessible online and stock can be managed 24 hours a day.

Mercer stressed: "Trade Source is the next stage in us being able to unlock more capital for independent used vehicle dealers to allow them to stock and sell more vehicles.

"Any vehicle dealer in the country can now work with us to strengthen their business through improved cash flow."

Ambitious first year

This is another step towards NextGear Capital reaching its ambition of funding 100,000 used vehicles in its first year of trading.

Mercer's team comprises a total staff complement of 41, based in Chester, including a field team of regional account executives, three more of which are being sought later this summer.

Stocking lines average around £100,000 with a minimum line requirement of £30,000 and additions in multiples of £10,000. Mercer added, however, that the company has several lines around the £500,000 mark.

A significant strength of the company's Vehicle Stocking Plan, which utilises Sword Apak's Wholesale Finance software, is its detachment from any requirement for reciprocal retail point-of-sale finance business.

One auto dealer who signed up to the floorplan is Dale Hodgkinson, proprietor of Strongford Garage, Stoke on Trent.

Hodgkinson explained: "As for many dealers, the things keeping me awake at night are sourcing good quality stock and then paying for it. I normally stock 20-25 vehicles but I have space for more.

"Opening up a NextGear Capital Stocking Plan has allowed me to increase my stock holding and be more reactive; making purchases when the good stock comes up at auction or online, rather than having to wait. This has already had an impact on stock churn, because

I'm able to give customers more choice, and a number of the vehicles I've bought using NextGear Capital have sold quickly."

He added: "You'd be mad not to take advantage of a reasonably priced, flexible stocking plan. There are no ties to a retail finance provider and you don't get charged if you don't use the plan; which gives me greater control over what I can buy and more flexibility in where I can buy from. Having a NextGear Capital Stocking Plan means I can take the opportunity to buy the good stock when the opportunity arises; to stock more and sell more."